

**REPORT OF THE AUDIT OF THE  
BOURBON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BOURBON COUNTY CLERK**

**For The Year Ended  
December 31, 2009**

The Auditor of Public Accounts has completed the Bourbon County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$25,320 from the prior year, resulting in excess fees of \$28,144 as of December 31, 2009. Revenues decreased by \$316,363 from the prior year and expenditures decreased by \$291,043.

#### **Lease Agreements:**

The County Clerk's office is committed to a lease agreement with a total outstanding balance of \$8,277 as of December 31, 2009.

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Donnie Foley, Bourbon County Judge/Executive  
The Honorable Richard Stipp Eads, Bourbon County Clerk  
Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Bourbon County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2010 on our consideration of the Bourbon County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Donnie Foley, Bourbon County Judge/Executive  
The Honorable Richard Stipp Eads, Bourbon County Clerk  
Members of the Bourbon County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Bourbon County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

May 21, 2010

BOURBON COUNTY  
 RICHARD STIPP EADS, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Grants		\$	8,658
State Fees For Services			7,667
HB 537 - Revenue Supplement			57,376
Fiscal Court			6,274
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	689,906	
Usage Tax		1,818,844	
Tangible Personal Property Tax		1,660,788	
Other-			
Fish and Game Licenses		3,873	
Marriage Licenses		5,183	
Occupational Licenses		350	
Deed Transfer Tax		54,791	
Delinquent Tax		249,098	4,482,833
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		8,054	
Real Estate Mortgages		40,078	
Chattel Mortgages and Financing Statements		41,887	
Powers of Attorney		1,288	
Affordable Housing Trust		25,338	
All Other Recordings		30,889	
Passports		5,697	
Charges for Other Services-			
Candidate Filing Fees		200	
Copywork		10,330	
Duplicate Registration Fees		4,605	
Notary Fees		7,752	
Inspections		1,025	177,143
Other:			
Miscellaneous			22,433
Interest Earned			4,899
Total Revenues			4,767,283

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY  
 RICHARD STIPP EADS, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 479,931
Usage Tax	1,764,200
Tangible Personal Property Tax	590,246

Licenses, Taxes, and Fees-

Fish and Game Licenses	3,808
Delinquent Tax	31,168
Legal Process Tax	16,044
Affordable Housing Trust	25,338
	<hr/>
	\$ 2,910,735

Payments to Fiscal Court:

Tangible Personal Property Tax	180,236	
Delinquent Tax	30,609	
Deed Transfer Tax	51,538	
Occupational Licenses	250	
	<hr/>	
		262,633

Payments to Other Districts:

Tangible Personal Property Tax	813,731	
Delinquent Tax	112,800	
	<hr/>	
		926,531

Payments to Sheriff

18,725

Payments to County Attorney

33,913

Operating Expenditures:

Personnel Services-

Deputies' Salaries	332,858
Part-Time Salaries	6,009

Employee Benefits-

Employer's Share Social Security	30,966
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Contracted Services-

Advertising	2,391
Printing and Binding	58,239
Computer Expense	6,535
Tax Bill Preparation	1,200

Materials and Supplies-

Office Supplies	14,515
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The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY  
 RICHARD STIPP EADS, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2009  
 (Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Other Charges-

Conventions and Travel	\$	5,266	
Dues		1,615	
Postage		46	
Rebate/Refunds		22,971	
Telephone		2,085	
Copier Repair		5,340	
Equipment Expense		4,935	
Passports		4,432	
Fiscal Court Minutes		6,000	\$ 505,403

Total Expenditures			\$ 4,657,940
Net Revenues			109,343
Less: Statutory Maximum			74,088
Excess Fees			35,255
Less: Expense Allowance		3,600	
Training Incentive Benefit		3,528	7,128
Excess Fees Due County for 2009			28,127
Payment to Fiscal Court - January 15, 2010			27,009
Balance Due Fiscal Court at Completion of Audit **			\$ 1,118

\*\*The County Clerk paid the additional excess fees due of \$1,118 to Bourbon County Fiscal Court on May 21, 2010.

BOURBON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOURBON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Bourbon County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Bourbon County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOURBON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 4. Records Preservation - Certificate of Deposit

On December 27, 2007, Bourbon County Fiscal Court voted to allow the County Clerk to use \$50,000 from the 2007 budget for record preservation, book scanning, and microfilming or book preservation. These funds were placed into an automatic renewable certificate of deposit on December 28, 2007. The certificate earns interest at a rate of 4.75% to be distributed on a quarterly basis. During calendar year 2009, the Clerk earned \$1,689 in interest proceeds. No funds were expended. As of December 31, 2009, the balance of this certificate was \$54,092.

Note 5. Grants

A. Kentucky Department for Libraries and Archives Local Records Microfilming Grant

On July 1, 2003, the County Clerk was awarded a local records microfilming grant from the Kentucky Department of Libraries and Archives in the amount of \$14,225. The beginning balance as of January 1, 2008 was \$374. During calendar year 2009, receipts totaled \$3 of interest income. All funds were expended during 2009, leaving the balance as of December 31, 2009 as \$0.

B. Kentucky Department for Libraries and Archives Local Records Grant

On July 3, 2006, the County Clerk was awarded a local records grant project from the Kentucky Department of Libraries and Archives in the amount of \$15,553 to preserve selected volumes located in the County Clerk's office. The beginning balance as of January 1, 2009 was \$464. During the year, receipts totaled \$1 of interest income and expenditures of \$465. The balance as of December 31, 2009 was \$0.

C. Kentucky Department for Libraries and Archives Back File Conversion Grant

On July 2, 2007, the County Clerk was awarded a local records grant project from the Kentucky Department of Libraries and Archives in the amount of \$22,130 to purchase back file conversion for the County Clerk's office. The beginning balance as of January 1, 2009 was \$497. During the year, receipts totaled \$1 of interest income. There were no funds expended during the year. The balance as of December 31, 2009 was \$498.

D. Kentucky Department for Libraries and Archives Microfilming Grant

On November 17, 2008, the County Clerk was awarded a local records grant project from the Kentucky Department of Libraries and Archives in the amount of \$7,111 for microfilming. Interest was earned during 2008 and 2009, \$10 and \$197 accordingly. All funds, a total of \$7,318, were expended during the year leaving a balance as of December 31, 2009 of \$0.

BOURBON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2009  
(Continued)

Note 6. Lease Agreements

A. Océ Financial Services, Inc. - Copier

The office of the County Clerk was committed to a lease agreement with Océ Financial Services, Inc. for a copy machine. The agreement requires a monthly payment of \$89 for 36 months to be completed December 2009. The total balance of the agreement was \$0 as of December 31, 2009. During calendar year 2009, the Clerk made 12 payments to Océ each for \$89, a total of \$1,068.

B. Océ Financial Services, Inc. - Copier

The office of the County Clerk was committed to a lease agreement with Océ Financial Services, Inc. for a copy machine. The agreement requires a monthly payment of \$267 for 48 months to be completed in August 2012. The total balance of the agreement was \$8,277 as of December 31, 2009. During calendar year 2009, the Clerk made 12 payments to Océ each for \$267 for a total of \$3,204.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Donnie Foley, Bourbon County Judge/Executive  
The Honorable Richard Stipp Eads, Bourbon County Clerk  
Members of the Bourbon County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Bourbon County Clerk for the year ended December 31, 2009, and have issued our report thereon dated May 21, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Bourbon County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bourbon County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Bourbon County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

May 21, 2010

